

*annual report* / 1958

**BOEING**

#### ON THE COVER

*A Boeing Bomarc pilotless interceptor missile rockets itself aloft in a dawn firing from an automatically operated shelter at the Air Force's Missile Test Center at Cape Canaveral, Florida. Smoke from igniters on the twin ramjet engines which provide supersonic propulsion after the missile reaches high altitude curls about the missile's slender silhouette.*

*America's only area defense missile, Bomarc can be marshalled according to need like manned fighters — singly or in salvo formations — to intercept enemy bombers or air-breathing missiles far from our cities and industrial or defense centers. Its range, longest of any ground-to-air missile in America's defense weapon arsenal, makes possible its location remote from the centers it defends.*



## *annual report 1958*

HIGHLIGHTS .....	2
REVIEW OF THE YEAR.....	3
SEATTLE DIVISION.....	8
WICHITA DIVISION.....	10
PILOTLESS AIRCRAFT DIVISION.....	12
TRANSPORT DIVISION .....	14
INDUSTRIAL PRODUCTS DIVISION.....	17
SYSTEMS MANAGEMENT AND RESEARCH	18
BOEING PEOPLE .....	20
FINANCIAL REVIEW .....	22
LOOKING TO THE FUTURE .....	29
FIVE YEAR COMPARATIVE DATA .....	30
BALANCE SHEET .....	32
STATEMENT OF NET EARNINGS.....	34
NOTES TO FINANCIAL STATEMENTS.....	34
STATEMENT OF STOCKHOLDERS'	
INVESTMENT .....	35
ACCOUNTANTS' REPORT .....	36
OFFICERS AND BOARD OF DIRECTORS....	37

***BOEING AIRPLANE COMPANY***



## highlights



	1958	1957
<b>Operating Summary</b>		
Sales .....	\$1,711,929,576	\$1,596,508,515
Earnings before taxes on income.....	\$61,560,013	\$77,659,707
Taxes on income.....	\$32,200,000	\$39,500,000
Net earnings .....	\$29,360,013	\$38,159,707
Dividends paid .....	\$7,016,727	\$6,681,281
Net earnings per share.....	\$4.01	\$5.28
Dividends paid per share.....	\$0.96	\$0.92
Percentage of earnings before taxes on income to sales.....	3.60%	4.86%
Percentage of taxes on income to sales....	1.88%	2.47%
Percentage of net earnings to sales.....	1.72%	2.39%
<b>Position at Year End</b>		
Working capital .....	\$190,697,755	\$94,248,188
Ratio of current assets to current liabilities	1.57 to 1	1.30 to 1
Stockholders' investment .....	\$201,595,031	\$176,150,948
Number of shares outstanding.....	7,320,006	6,953,583
Stockholders' equity per share.....	\$27.54	\$24.36
Backlog .....	\$2,445,000,000	\$2,452,000,000
<b>General Information</b>		
Total wages and salaries.....	\$548,720,343	\$511,749,258
Average number of employees.....	92,878	94,998
Gross additions to plant and equipment..	\$16,782,060	\$45,043,425

1957 per share figures adjusted to reflect the 4% stock dividend issued November 19, 1958.

## review of the year

### TO THE STOCKHOLDERS:

Changing defense concepts have had a decided impact on the Boeing Airplane Company during 1958, and the company has made marked progress in adjusting to this impact. The company has moved into new areas both in the missile and space fields while continuing to discharge its commitments in production of current needs for the nation's defense and to its commercial customers.

Sales and net earnings from operations for the year were \$1,711,929,576 and \$29,360,013, respectively. After deducting from 1958 net earnings an estimated provision for a refund of 1955 profits recommended to the Renegotiation Board by the Los Angeles Regional Board under the Renegotiation Act of 1951, the balance transferred to retained earnings amounted to \$26,610,013. It is anticipated that the recommended findings, if made, will be contested by the company.

Sales for the year were somewhat above those reported for last year. Net earnings for 1958, however, were below those for 1957, principally because of the substantial charge-offs applicable to the commercial jet transport program.

With developmental and production costs on the commercial jet program exceeding the amounts previously anticipated, a substantial loss is being incurred on the Model 707 airplanes delivered or on order. Charges against net earn-



*"I've tried to make the men around me feel, as I do, that we are embarked as pioneers upon a new science and industry in which our problems are so new and unusual that it behooves no one to dismiss any novel idea with the statement that 'it can't be done.' Our job is to keep everlastingly at research and experiment, to adapt our laboratories to production as soon as practicable, to let no new improvement in flying and flying equipment pass us by."*

*W. E. Boeing*  
1917

*Dedicatory panel, Developmental Center*



*Boeing Airplane Company is composed of an administrative headquarters organization and five operating divisions. Headquarters, the Seattle Division, Pilotless Aircraft Division and Industrial Products Division are located in Seattle. The Transport Division is in Renton, Washington, 12 miles from Seattle. In Wichita, Kansas, the Wichita Division occupies two plants.*

*200th KC-135 on flight line*



ings applicable to the commercial program totaled approximately \$50,000,000 in 1958. Further information on the financial aspects of the jet transport program will be found in the Financial Review section starting on page 22.

In last year's report it was stated that loss of the WS 110A competition was a challenge being approached most vigorously. During 1958 that challenge was met in substantial degree when Boeing won one of the most sought-after military programs — assembly, test and system integration and verification of the Minuteman Intercontinental Ballistic Missile. In addition one of two first phase competitive contracts for Dyna-Soar, the Air Force and National Aeronautics and Space Administration's manned boost-glide vehicle project, was awarded the company.

The success achieved in these major competitions is attributable to an outstanding company effort coordinated by the Systems Management Office which was created during 1958. The company used this Office to accelerate its application of the weapon system management concept, an outgrowth of the increasing technical sophistication required in advanced weapons. This move permitted the divisions further to adjust to the weapon system management concept without disruption of work in progress while the company as a whole made a successful entry into the new area.

In other areas of military production the company has achieved outstanding performance during 1958. In July, KC-135 jet tanker-transport production in the Transport Division reached the projected schedule of 15 airplanes per month. The 200th KC-135 was delivered to the Air Force in December. The KC-135 program, under present contracts, is substantial and the potential for further sales is good.

A smooth transition of B-52 program responsibility from the Seattle Division to the Wichita Division was made during the year.



Seattle Division rolled out its last B-52 in November. Meantime the Wichita Division maintained on-schedule production while changing from the "F" model to the strikingly advanced "G" model. The B-52G has evolved as a missile launching platform in addition to its bombing capability, thus greatly extending the effective range and striking power of the B-52 and making it an even more potent weapon. The B-52 continues as the key deterrent weapon of the Strategic Air Command.

The past year also marked the transition of the Bomarc pilotless aircraft missile from developmental and proving to operational status. A series of successful firings of Bomarc missiles against sub-sonic, super-sonic and multiple targets has proved Bomarc's effectiveness in its defensive role. The first Bomarc base was accepted by the Air Force at Eglin Air Force Base, Florida. It is functioning as a training and operational test facility. Four Bomarc operational bases are under construction at key eastern seaboard centers, and 10 additional bases have been authorized.

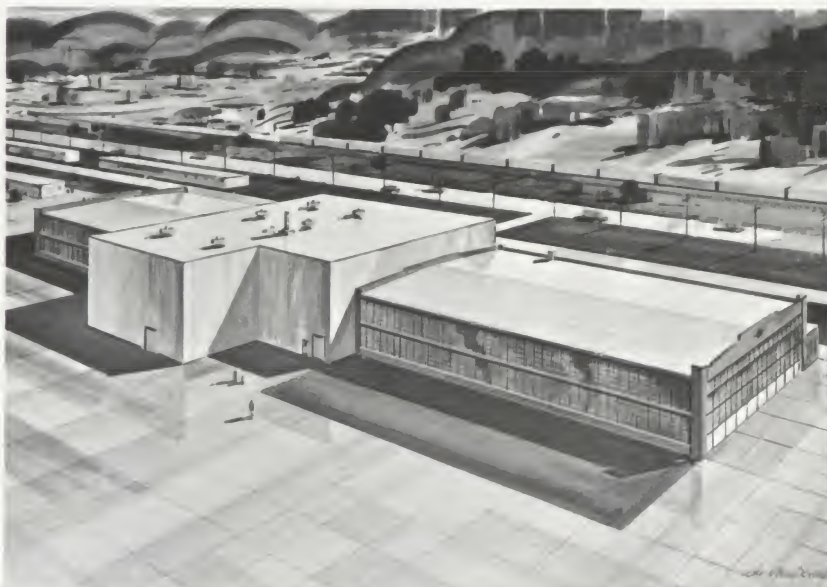
Another major competition among leading aircraft companies was won by the Seattle Division of your company when it was awarded the contract for design and building of the B-70 wing by North American Aviation, Inc., the prime contractor on this project.

Six years ago the company's plan for the building of a military and commercial jet transport prototype was first announced to stockholders. In 1958, with the KC-135 outgrowth of the prototype fully operational, the Boeing 707 jet transport entered airline service and met enthusiastic approval of both our customer airlines and the traveling public. The company has developed an outstanding line of commercial jet transports and intends aggressively to seek further sales. Over a period of years it is expected that this commercial jet effort will be rewarding.



*Bomarc base nears completion*

*Brazing facility for B-70 wing*







*Parabolic mirror enlarges installation for thermal test*



Air Force experience with the versatile KC-135 also points to the ascendancy of the jet transport type airplane. In simplicity of maintenance, handling ease, efficiency, speed and load-carrying capability, the KC-135 has outstripped all previous service aircraft. The variety of uses to which the Air Force already has put the plane is an indication that demand for the product will continue over a period of years.

During 1958, the Bomarc production facility, given the name Missile Production Center, became activated. When completely occupied, this former Corps of Engineers complex of buildings will add 970,000 square feet to Boeing plant area. In the same year, a total of 538,000 square feet of covered area was released — warehousing space and the Everett, Washington manufacturing facility whose usefulness phased out with the Seattle area B-52 program.

Further capital expenditures for facilities are

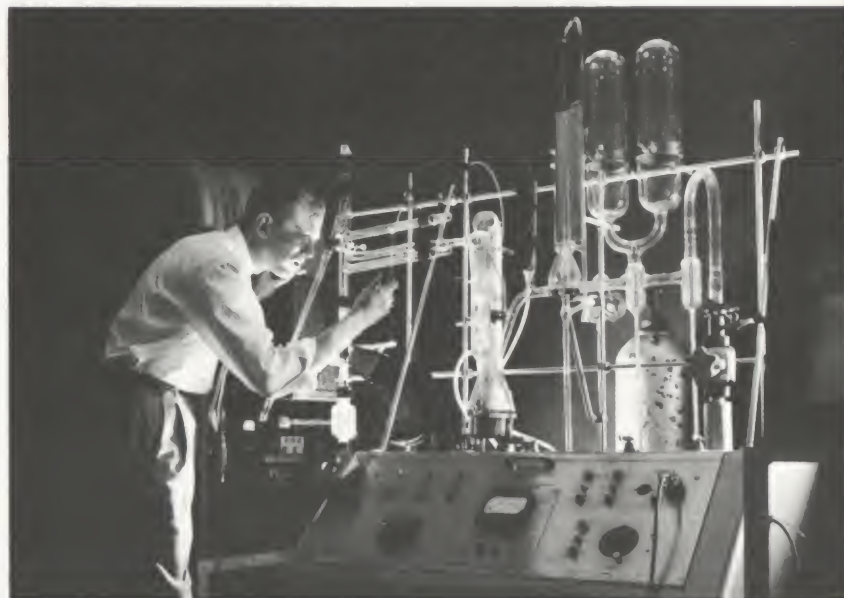
indicated by the growing emphasis on technological advancement in all areas of our business. Increasingly the importance of research and development is being felt in the industry. Without wholly adequate support in these areas your company's position of leadership cannot be maintained. We must anticipate a market in which volume production of a single product will be the exception, and rapid technological advance will be the rule. In this connection the company must expect an increase in requirements for technical personnel and a parallel increase in need for the specialized office and laboratory facilities and equipment they will utilize.

Plans for 1959 include completion of 210,000 square feet of engineering and office space at the Transport Division plant, release of more warehousing space, and acquisition or construction of additional office and laboratory area.

*Antenna laboratory uses model*



*Vacuum fusion gas analysis installation*





*B-52F flight line as phaseout nears*

## *seattle division*

The adaptability of a strong and well-balanced staff was demonstrated during 1958 by the Seattle Division. Faced with the challenge of swift transition from high volume production of a single major weapon — the B-52 global jet bomber — to a new role of great versatility, the Division undertook and carried out a major program of realignment.

Shift of full B-52 responsibility to the Wichita Division called for important changes. Although the final B-52F manufactured in the Seattle Division did not roll from the assembly lines

until November, phaseout of support and sub-assembly areas began months earlier. As each facility became available, previously planned projects were implemented to assist other company divisions, all of which were in the buildup phases of their respective programs. The Seattle Division also undertook the work load of the Air Force's Minuteman intercontinental ballistic missile program for the company.

In what has been described as the smoothest transition in company history, Seattle B-52 manufacture gave way to the building of major com-



ponents for the military KC-135 jet tanker-transport and the 707 jet airliner as well as the nose section of the B-52G. Several sections of the Bomarc pilotless interceptor also were built in the Seattle Division manufacturing facility.

Activities during the year included modification of a B-52F aircraft to carry models of the GAM-77 air-to-surface missiles on aerodynamic compatibility tests. The first series of such tests was successfully accomplished from Boeing Field in Seattle. GAM-77 "Hound Dog" missiles, air-launched hundreds of miles from a target area, are designed to strike at supersonic speeds in guided flight, carrying either conventional or nuclear warheads. Their addition to the B-52's basic weapon-carrying ability will give the "G" model increased striking power and greater effective range.

With considerable assembly area becoming available beyond needs of in-company support, the Division early sought outside subcontract work, bidding on the design and manufacture of the wing assembly for North American Aviation's B-70 long-range supersonic bomber. The Seattle Division won this important subcontract in December. Extensive Boeing research in supersonic bomber design, materials and manufacturing methods contributed substantially to obtaining this business. The B-70 wing contract will bring the company valuable experience in the use of high-temperature-resistant materials essential in future air and space vehicles.

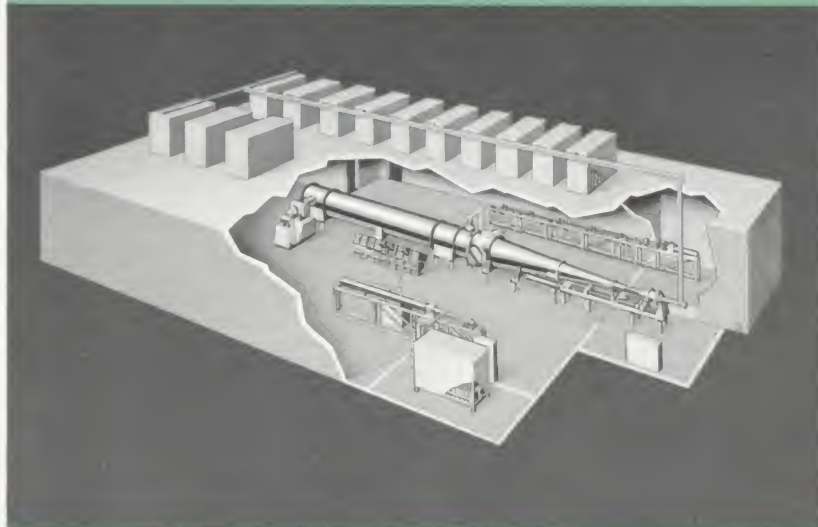
The Division has completed design of a large hypersonic wind tunnel to provide test speeds up to Mach 20. The tunnel is scheduled for operation in 1959. It will be installed in an existing facility at minimum cost and will assist the company in remaining in the forefront in air and space craft research.

Preliminary design studies and proposals are being prepared in the Seattle Division for advanced strategic weapon systems and air-to-surface missiles.



*B-52G nose section assembly*

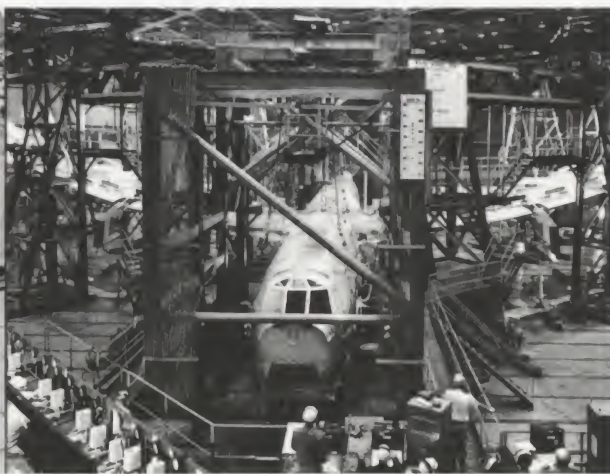
*Mach 20 hypersonic wind tunnel area*







*Latest in the B-52 family of weapons: model G at rollout, in flight and in static test*







## *wichita division*

Rollout, first flight and delivery of the initial B-52G missile platform bomber, delivery of the last Wichita-built B-52F and development of design proposals for future business highlighted operations of the Wichita Division in 1958.

The first B-52G rolled from the Wichita assembly lines July 23, fulfilling a demanding production schedule. This was an example of outstanding Division effort. The maiden flight on

October 26 met a target date established two years before. On November 1, the new bomber was delivered to the Air Force Air Research and Development Command at Eglin Air Force Base, Fla., for cold testing in a climatic suitability hangar. Returned to Wichita upon completion of the tests, the airplane was flown to Alaska for operational cold weather performance tests.

First delivery of the new airplane to the Air Force's Strategic Air Command for operational use was made early in 1959. The "G" model has, in addition to its bombing and missile-launching capacity, increased range and altitude capability.

Static testing of the B-52G airframe, required because of extensive structural improvements in the new missile bomber, neared completion at year's end. The final test to destruction, marking completion of the year-long program, took place in February, 1959.

Studies and proposals applicable to all branches of the armed services have been made by the Division during the year. These activities show encouraging promise of future new business.

A government-financed construction project completed at the Wichita Division in 1958 was the 40,000-square-foot Engineering Laboratory building. It will house continuing research projects necessary for further growth of the B-52 and is equipped for research on weapon systems of the space age.

Another construction project, remodeling of the company-owned Plant I administration building, was started late in the year and is due for completion early in 1959. Principal occupants of the remodeled area will be members of the advance design section of engineering. Total covered plant area at Wichita at year end was 5,769,973 square feet.

Employment totals at the company's two Kansas plants declined in 1958 from 30,323 at the first of the year to approximately 26,000 by the end of December.

## *pilotless aircraft division*

*Bomarc in gray battle dress*



Readying the Bomarc pilotless interceptor missile for operational use by the United States Air Force was a principal objective of Pilotless Aircraft Division effort during 1958.

The goal was set early in the year when the Department of Defense revealed its plan to have first tactical units operational in the latter part of 1959. Construction of the first four Bomarc bases was begun, and selection of sites for an additional ten bases was announced. The base construction work is managed by the Corps of Engineers with Boeing follow-up to install and check out all weapon system equipment.

In step with the move toward emphasis on Bomarc operational use, the missile's flight test program shifted from a research and developmental-oriented activity to an effort aimed at establishing its operational suitability. Full tests of the entire system were conducted from the Air Force's Cape Canaveral base. These tests not only demonstrated Bomarc reliability and effectiveness under a variety of tactical situations but also proved the weapon's compatibility with SAGE, the nation's huge warning and control network. As the tests continued, Boeing-trained Air Force crews replaced Boeing teams in preparing the missiles for firing.

Among the more tactically notable firings was a "two-on-two" salvo firing in which two Bomarcs launched within seconds of each other intercepted two different targets at ranges of more than 100 miles. In another firing by SAGE remote control, a Bomarc was directed far out over the Atlantic to intercept one target, then was diverted to another many additional miles distant.



The successful intercept was a realistic demonstration of the missile's flexibility.

Shortly before year's end, the special Bomarc firing base for crew training and future operational testing was delivered to the Air Force. The base is located near Fort Walton Beach, Florida, a part of the Eglin Air Force Base complex.

The shift from development to production was reflected in an overall increase in Pilotless Aircraft Division personnel from 6,700 at the beginning of the year to some 12,000 persons. To accommodate to the need for additional space and consolidation of the Bomarc manufacturing effort, the Division moved into a government-owned 970,000-square-foot manufacturing plant in Seattle. Scheduled for complete occupancy by spring of 1959, the Missile Production Center also will house the Division headquarters.

The developmental program for an advanced Bomarc was pressed forward and resulted in contractual acceptance by the Department of Defense. Designated Bomarc B, the new missile will nearly double its predecessor's range and will have superior target-seeking capabilities.

Significant to the Pilotless Aircraft Division sales picture was announcement by Canada that it intends to rely heavily on Bomarc for defense of its southeastern population and industrial centers. Production-sharing agreements are being worked out between the Canadian and United States governments and Boeing to facilitate Canadian industrial participation in subcontract and supply functions of the production effort. In addition, Boeing has negotiated with Canadair Services Ltd. a contract under which the Pilotless Aircraft Division has acquired the services of some 180 Canadair engineers for a year's work on Bomarc projects at Boeing facilities.

Bomarc is well suited to the defense requirements of the Western European nations as well as those of Canada. An active effort to extend Bomarc protection to these areas has been instituted.

In addition to these activities, the Pilotless Aircraft Division had vehicle and test responsibility under program direction of the Systems Management Office for the company's competitive participation in Phase I of Dyna-Soar, the Air Force's advanced boost-glide vehicle project. This important step toward the future is bringing new experience and capability to the company.

Looking to the future, the Division is devoting substantial effort to development of an anti-ballistic missile and an anti-satellite vehicle. Although details of these projects may not be revealed, the concept for the weapons is based on the same "area defense" principle which has governed Bomarc work. This is the philosophy of designing weapons with quick reaction time and sufficient range to intercept and destroy enemy weapons before they can come within lethal range of the target.



*Operational test missiles at Eglin AFB*





*Common wing-join line for 707s and KC-135s*

## *transport division*

The Boeing 707 went into commercial airline service across the Atlantic on October 26, 1958. It was the most thoroughly tested aircraft ever to enter public service.

Already more than 40,000 passengers have been transported on the Pan American World Airways Boeing 707s between New York, London, Paris and Rome.

During the year, production in the Transport Division plant at Renton, Washington, moved at an increasingly high pace on both the military KC-135 jet tanker-transport and the commercial airliner.

By year end, 19 of the 187 Boeing commercial jetliners on order had been rolled out, and

eight had been delivered to customer airlines. So intensive was the effort that the six airplanes comprising Pan American's initial group were delivered three months ahead of schedule, bringing a premium payment under the contract. American Airlines received the first two of its extensive order before December 31, also ahead of schedule, and started transcontinental jet service late in January.

Because it is the nation's first pure jet airliner and a wholly new commercial aircraft, the 707 was subjected to a most extensive and detailed certification program by the Civil Aeronautics Authority. This program, which began in April, resulted in the award of the CAA type cer-





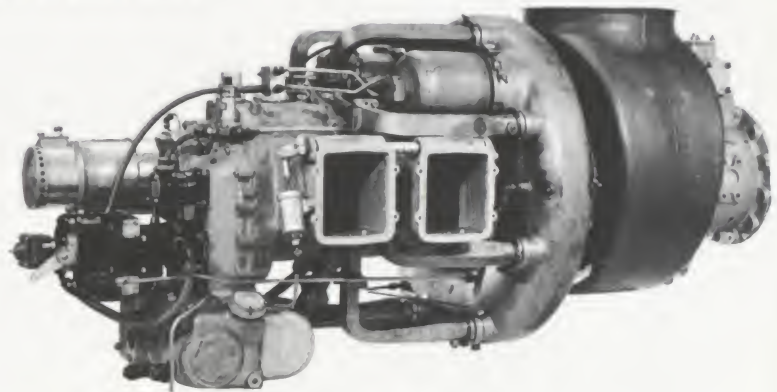
*Boeing Turbo-Starter services 707*

## *industrial products division*

Improved design and manufacturing techniques developed by the Industrial Products Division have brightened the market outlook for Boeing gas turbine engines in the past year. The production cost of these gas turbines has been reduced approximately one half, to a strong competitive position.

During 1958, development and sales efforts on the Turbo-Starter — a gas turbine mounted in a panel truck for engine starting on commercial turbine-powered aircraft — have resulted in sales of more than forty of the units to a number of major airlines. This product shows strong promise for future sales.

The first turbine-powered earthmoving tractor, an experimental model using a Boeing 502-10C power plant, was announced by Allis Chalmers during the year.

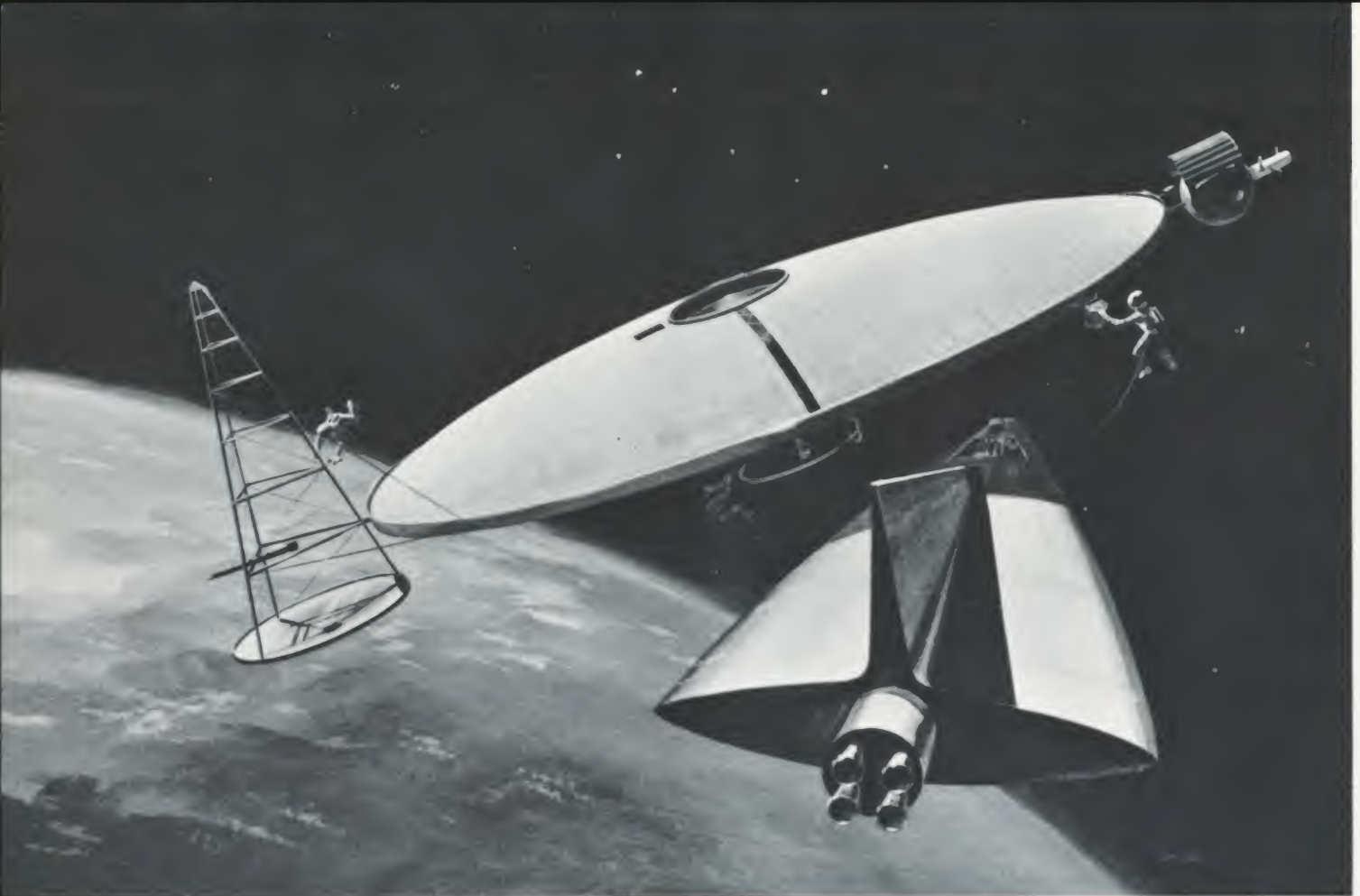


*Model 520, latest gas turbine*

Further developments in the gas turbine field have shown consistent improvement in weight-to-horsepower-to-fuel-consumption ratios.

Support activities for the Transport Division including production of gear boxes for KC-135 and 707 jet aircraft constituted about half the Division's work load.





*Artist's concept of Martian Explorer assembly*

## *systems management and research*

Boeing Scientific Research Laboratories, whose formation in January, 1958, was announced in last year's annual report, is one of two new company organizations added during the year. The second is the Systems Management Office, like the research unit a part of the headquarters organization. Both are outgrowths of the swiftly changing pattern in the exploitation of the earth's outer envelope of air and space.

As has been pointed out earlier in this report, the Systems Management Office was created to accelerate the company's application of the weapon system management concept. It was charged with over-all responsibility for the intri-

cate pattern of mission definition, contract and financial control and technical support demanded by some of the systems sought by the Department of Defense.

A demonstration of the new organization's value to the company came shortly after its formation. It coordinated the company-wide effort which won for Boeing a competitive first-phase development contract for Dyna-Soar, a proposed piloted boost-glide vehicle. In making one of the two winning proposals, the Systems Management Office recruited and organized a team of several major United States aircraft, electronics and propulsion firms. The Office handles prime contractor



responsibilities, supporting its Dyna-Soar system general manager with both technical and management staffs.

Similar support was organized within the Office when a second major contract — for assembly, test and system integration and verification of Minuteman, third generation intercontinental ballistic missile — was awarded the Boeing Company. Under Systems Management Office supervision, responsibility for assembly and test of the experimental phase of the new missile was assigned to the Seattle Division working with another group of associated contractors.

In addition to Dyna-Soar and Minuteman, the Office has received company contracts from government agencies for studies of an advanced technological nature. Security restrictions prevent specific reference to these studies, but constant effort is being made on the development, preparation and submission of proposals for further contracts such as these.

To explore fields which may lead to systems and business of the future, the Office also has conducted separate studies into subjects beyond immediate military or national requirements. Such a study was that for a Martian reconnaissance vehicle to orbit and observe the planet Mars. Announcement of the practical design — not presently considered for production — fired the imagination of the scientific as well as the lay community.

Progress, however, is possible only as the product of applied knowledge. To advance the frontiers of scientific knowledge, your company instituted in January of 1958 the Boeing Scientific Research Laboratories. This headquarters organization, under the corporate director of research, is assigned a task of basic research in any scientific area which may contribute to the extension of knowledge in the realm of flight.

The unit is increasing its staff of top-calibre men of science brought together both from with-



*START model of booster system*

in and without the company. They are extending scientific knowledge in such areas as plasma and solid state physics, gas dynamics, geophysics and mathematics. Results of their efforts are made available to all divisions of the company and, so far as proprietary interests will permit, to the scientific world.

In addition to the regular staff, the Scientific Research unit retains as consultants outstanding scientists in many fields — individuals whose commitments to educational and other scientific institutions preclude their full-time association with the company. Great benefit already has been derived from these associations.

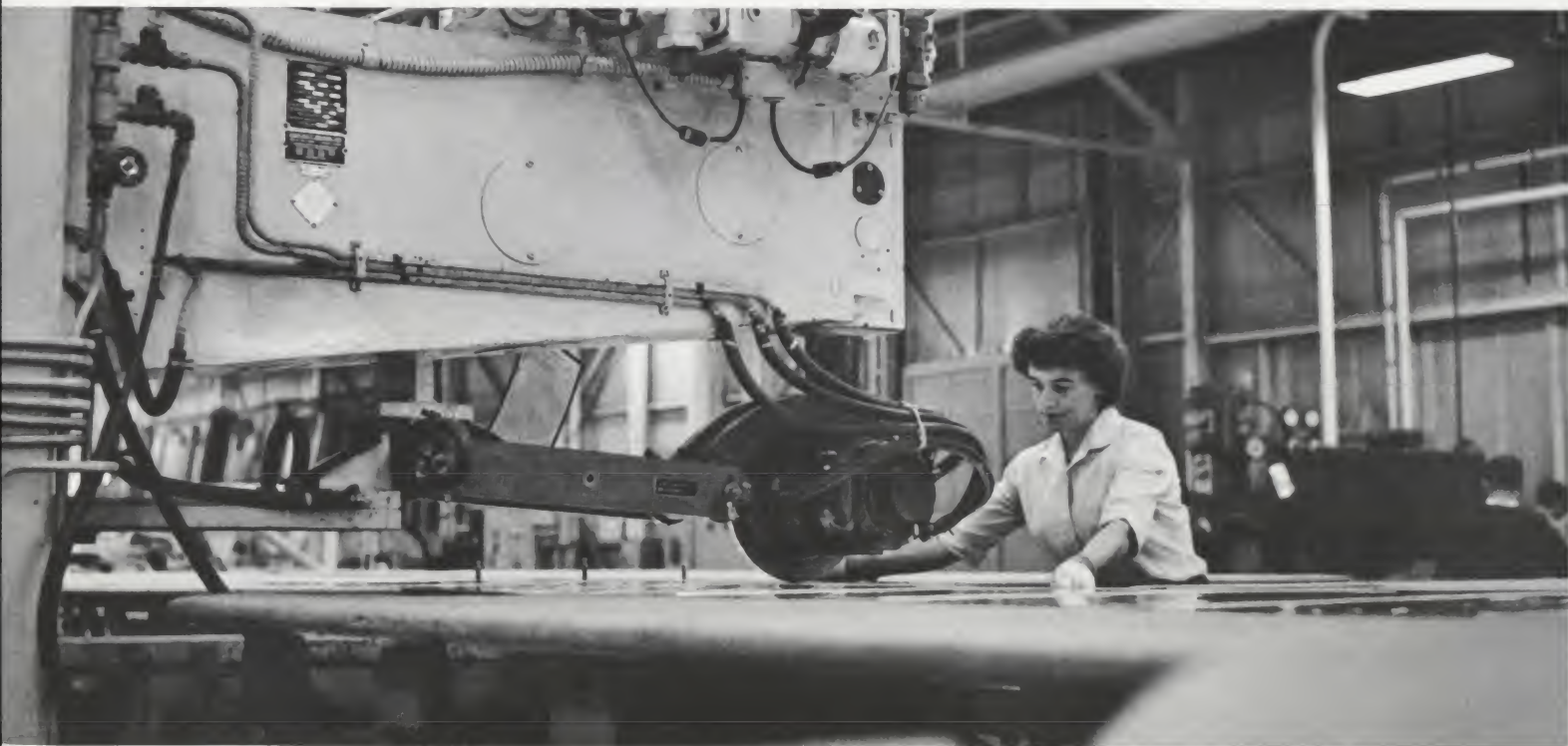
## *boeing people*

Employment continued at a steady level throughout 1958. At year-end, employees in the state of Washington approximated 74,000. The Wichita Division employed about 26,000 as of December 31. An anticipated decline during the year did not occur as larger numbers of employees than had been projected were required on both the B-52G and commercial programs. In January, 1959, however, reductions in the work force had begun, particularly in the Transport Division and at the Moses Lake Delivery Center. The yearly payroll, representing 34.5% of total costs, was \$548,720,343. Employees with more than 10 years service now number 15,389.

At the end of 1958, 1,392 retired employees were receiving benefits under the Boeing Airplane Company Employees Retirement Plan. The Plan was adopted in 1955.

A pronounced upswing was noted in both number and value to the company of suggestions submitted by employees. The number of suggestions submitted rose from 30.9 per thousand employees in 1957 to 57.8 in 1958. In all, awards of more than \$381,000 were made for 7,695 suggestions accepted with an estimated gross saving of more than \$5,320,000.

During the year, employees in the Seattle and Wichita areas continued to demonstrate their





strong community responsibility, contributing \$1,569,434 to their Good Neighbor (Community Chest) funds. Payroll deductions for the purchase of U. S. Savings Bonds were authorized by 85 % of Boeing people.

The management of the company believes that business has been too reticent in discussing matters of public policy with its employees and the community. The problems of the American economy present a challenge to every citizen.

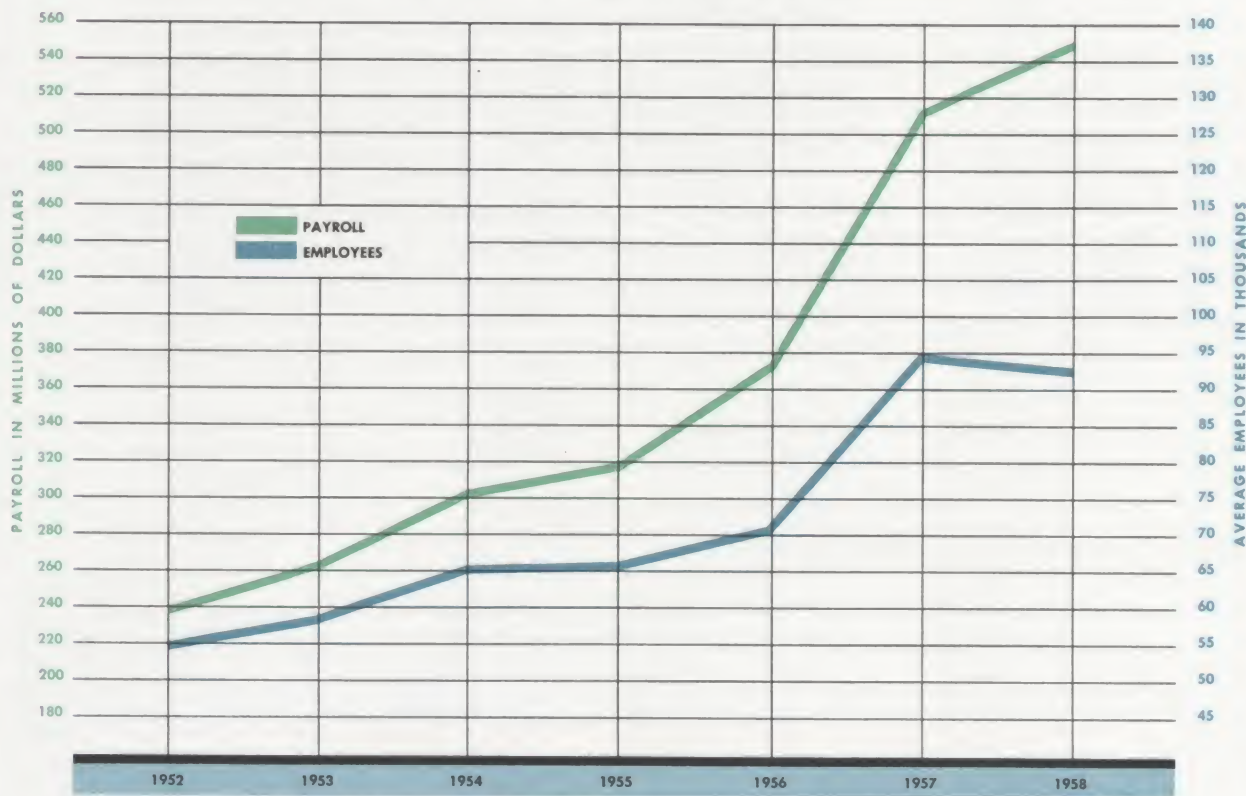
It is recognized that the solution of these problems — inflation, the wage-price spiral, the meeting of foreign competition — is dependent to a large degree upon an understanding of them

by the American people. The company is endeavoring to improve the extent and effectiveness of communication with its employees and the public. A start has been made through the Seattle and Wichita plant newspapers and other available channels of communication. A survey of Boeing employees indicates that they have a desire for more background information on public issues, including management opinion.

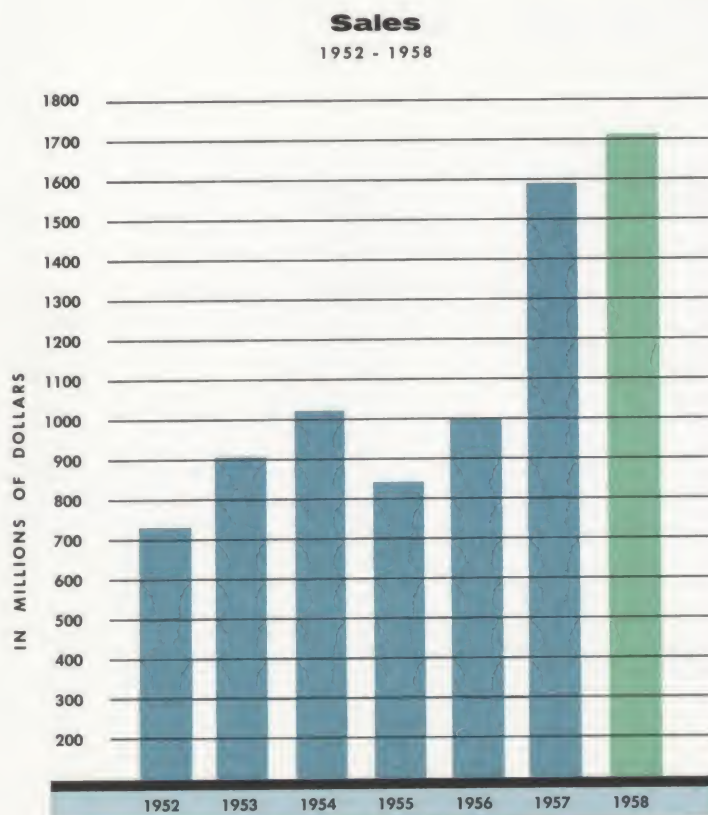
It is also felt that the solution of these and related problems calls for members of business organizations to take more active personal interest than heretofore in government and public affairs. The company encourages such activity.

#### Annual Payroll and Average Employees

1952 - 1958



## *financial review*



Sales during 1958 totaled \$1,711,929,576 as compared to \$1,596,508,515 for 1957. Substantial deliveries of KC-135s and B-52Fs accounted for the major portion of the 1958 sales volume. In addition, the B-52G and Bomarc programs, which were performed principally under cost-plus-a-fixed-fee or incentive-fee contracts, contributed significantly to reported sales. Under these contracts, it is the company's policy to record sales as costs are incurred. Substantial effort was expended on the commercial jet transport program during 1958, with initial deliveries of eight 707 airplanes accounting for approximately \$40,000,000 of the company's total sales.

Net earnings from 1958 operations after taxes on income were \$29,360,013 or 1.72 cents per dollar of sales, down from the \$38,159,707 or 2.39 cents per dollar of sales reported in 1957. Net earnings equaled \$4.01 per share as compared to \$5.28 per share (adjusted for the 4% stock dividend issued November 19, 1958) for the previous year.

As discussed later in this report, the company has been advised that the Los Angeles Regional Renegotiation Board recommended to the Renegotiation Board that a finding of excessive profits in the amount of \$6,000,000 be made for the year 1955. Should the Board determine that excessive profits were realized in 1955, it is presently contemplated that the company will



appeal to the Tax Court of the United States for a redetermination of the Board's findings; however, provision was made for the proposed renegotiation refund in the amount of \$2,750,000, net of federal and state taxes. After this provision the balance transferred to retained earnings totaled \$26,610,013.

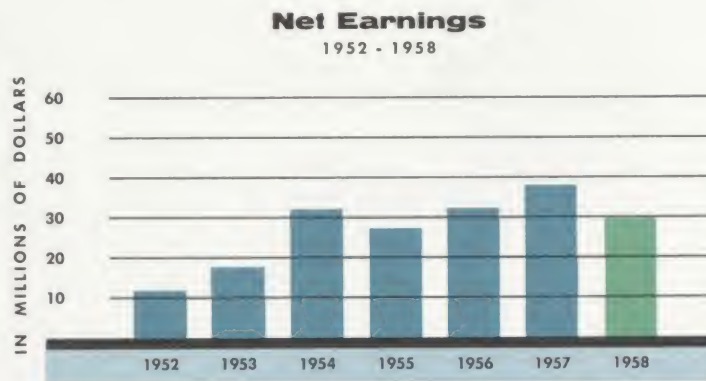
Earnings during 1958 on military business were improved over 1957 with significant increases being recorded in the last quarter relative to the inclusion in contract prices of certain costs previously not recognized by the government. Charges applicable to the commercial jet transport program, however, continued to have a very substantial impact on net earnings during 1958. The write-off of research, developmental, administrative and other general expenses applicable to the commercial program in 1958 amounted to approximately \$34,000,000. Also there was charged against earnings \$16,000,000 which represents the amount necessary to reduce accumulated charges (work in progress) at December 31, 1958 on the 707 program to estimated proportionate sales value based on the quantity of airplanes scheduled for production.

The effect on the cost of the 707 program of such items as thrust reverser-noise suppressor development, Civil Aeronautics Administration certification requirements and the problems attendant to the production of a number of different models for 16 customers has been substantially greater than anticipated at the time earlier estimates of program costs were made. Charges to earnings through 1958 on the commercial program total approximately \$94,000,000, including the cost of the prototype which was started in 1952.

### The Year Ahead

Sales for 1959, based on current programs and schedules, are expected to be somewhat less than those reported in 1958. Although the B-52F

program phased out early in 1959, the loss in sales volume will be offset to a large extent by increased sales on other programs. The transition of the B-52G program from a cost-plus-incentive-fee contract basis to a fixed price incentive contract basis will be completed during 1959, with peak delivery rates being attained during the latter part of the year. Under the 707 and KC-135



programs substantial deliveries are scheduled during the year. The Bomarc program is scheduled for continued acceleration and will reach full production status on a fixed price basis during the year. Although considerable effort will be devoted to the initial engineering and developmental work in connection with the Minuteman assembly and test program, the Dyna-Soar competition and the B-70 wing subcontract, these programs will not contribute materially to 1959 sales.

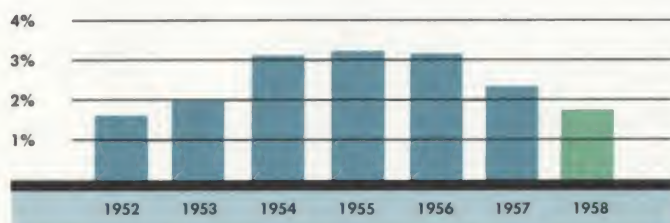
Due to lower military sales and continuing commercial program charges, present indications are that 1959 earnings will be substantially below the earnings for 1958. Also, since the transition of the B-52G and Bomarc production programs from a cost reimbursement type to a fixed price type contract basis will be occurring during the year, earnings on these programs will be at a relatively low level during the first half of 1959.



Continuing write-offs of research, developmental, administrative and other general expenses on the Model 707 program and increasing write-offs of similar costs on the Model 720 program will have substantial impact on 1959 earnings. Also, further inventory writedowns on the commercial programs may be necessary. The amount, if any, of such writedown depends upon the many factors influencing the over-all program, the most important of which are future cost trends and the quantity of additional orders received.

Although a substantial portion of the costs on the domestic version of the 707 have been incurred, the early status of the 707 Intercontinental and the Model 720 medium range jet transport prevents an accurate estimate of total program costs. Furthermore, it is not possible to

**Per Cent of Net Earnings to Sales**  
1952 - 1958



predict with any degree of accuracy the additional orders which may be received during the year. Any significant change in the number of planes scheduled for production will materially affect reported earnings.

Unfilled orders at year end totaled \$2,445,000,000. Letter contracts with the government on which agreement as to estimated price has not been reached with the procuring agency are included only to the extent of the funds which have been allocated thereto. When contracts currently under negotiation are definitized, orders will be increased by approximately \$700,000,000. As of December 31, fixed price and cost

reimbursement contracts containing incentive provisions accounted for approximately 88% of government orders.

Included in the backlog at year end were orders for missiles totaling \$553,000,000. Orders for commercial jet aircraft amounting to \$93,500,000 were received during the year. At December 31 the backlog of 707/720 jet transports totaled \$846,000,000, representing orders for 143 Model 707 aircraft, including three designated as VC-137As for delivery to the Military Air Transport Service, and 36 Model 720s.

### **Plant and Equipment**

During 1958, expenditures for facilities totaled \$16,782,060, bringing the company's gross investment in property, plant and equipment to \$145,004,656 at year end. Included in this amount were facilities with an original cost of \$18,947,811, which, although still in use, had been completely depreciated or amortized at December 31, 1958.

Since 1949, certificates of necessity have been received on facilities costing \$73,849,014. The certified portion of these facilities, totaling \$46,579,772, has been, or is being, amortized over 60-month periods.

Depreciation and amortization amounting to \$18,737,833 was recorded during the year. This amount included \$4,778,072 of amortization in excess of normal depreciation. A portion of the amortization in excess of normal depreciation applicable to certain capital asset items is included as a cost under military contracts. The net investment of \$79,688,417 in property, plant and equipment at year end was \$2,214,343 less than at the end of 1957.

The company's requirements for additional facilities to support the Minuteman program, Dyna-Soar program, B-70 Wing subcontract, Boeing Scientific Research Laboratories, and other activities will be substantial.



## Renegotiation

The company has been advised that the Los Angeles Regional Renegotiation Board has recommended to The Renegotiation Board that a finding of excessive profits in the amount of \$6,000,000 be made for the year 1955. After credit for federal and state taxes, this would require a net refund of \$2,750,000. Your management believes that a finding of excessive profits is completely without justification and intends to request a hearing before The Renegotiation Board. It is presently contemplated that should The Renegotiation Board affirm the Regional Board's findings, the company will appeal to the Tax Court of the United States for a redetermination of the Board's findings.

The company has not been advised by the Regional Renegotiation Board that its performance was other than satisfactory during 1955. It can, therefore, only be assumed that the findings for 1955 were based on the same generalized facts and reasons as utilized in previous years. Such so-called facts and reasons include volume of sales attained, use of government-owned facilities, extent of subcontracting, and pre-tax rate of return on beginning book net worth.

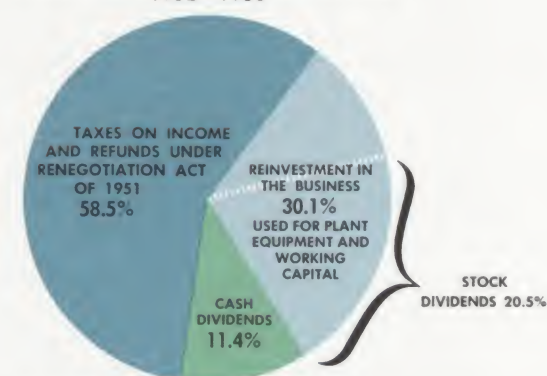
As has been discussed in previous stockholders' reports, these factors were accorded full consideration by the government in the negotiation of basic contractual profit frameworks. Management believes that since actual earnings reported for renegotiation were well within the negotiated profit framework, such earnings were reasonable under any and all concepts of renegotiation.

In light of the significant responsibilities assumed by the airframe industry in the national defense and the critical requirements for financial strength to fulfill these responsibilities, it is extremely difficult to understand the Renegotiation Board's onslaught on the profits of the industry. The Renegotiation Board's administration of the

Act is believed to be contrary to Congressional intent and is in direct conflict with basic Department of Defense procurement policies. The Board's determinations have been inconsistent with the stated objectives of the government to preserve and foster incentives in the performance of contracts and have resulted in the confiscation of earnings needed for research and development programs and facilities. This can only be detri-

### Disposition of Earnings\*

1952 - 1958



\*TOTALING \$458,324,770 BEFORE TAXES AND ACTUAL AND PROJECTED REFUNDS UNDER THE RENEGOTIATION ACT OF 1951

mental to the nation's defense program.

A limited Congressional review of the Board's administration of the Renegotiation Act was conducted prior to the close of the last session of Congress. As a result, although the Act was not amended, the requested extension of two years was denied and the extension was limited to six months. Further it was announced by the Committee on Ways and Means of the House of Representatives that extensive hearings would be conducted in connection with further consideration of the extension of the Act. We are hopeful that an understanding by Congress of the administration of the Renegotiation Act by the Renegotiation Board will result in a clarification of the



objectives of renegotiation and the establishment of a realistic administrative policy relative to their early attainment.

The hearing before the Tax Court of the company's appeal from the finding of the Renegotiation Board for the year 1952 took place during the latter part of 1958 and in January of 1959. The hearing was recessed to give the company an opportunity to prosecute in the Courts its subpoenas of certain records of The Renegotiation Board and the Secretary of the Air Force pertinent to the case.

During the course of the hearing, the government moved to increase the original refund of \$10,000,000 to \$20,000,000 (both amounts are

The required renegotiation refunds for the years 1952, 1953 and 1954 and the refund for 1955 as recommended by the Los Angeles Regional Board have been paid or provided for in the accounts. Since your management believes that earnings for 1956, 1957 and 1958 were not excessive, no provision has been made for renegotiation refunds for any of these years.

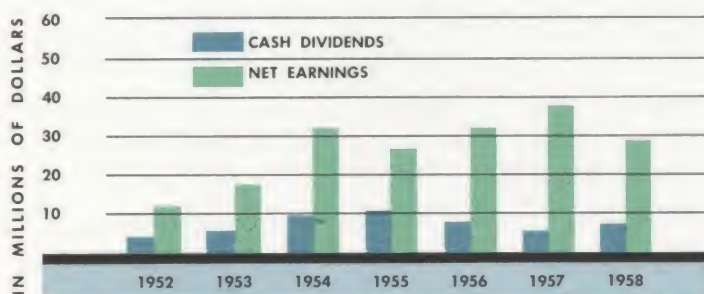
### Federal Income Taxes

Federal income tax returns of the company have been examined and agreements reached for all years through 1955, except for certain claims for refund which are pending. Such claims have not been recorded in the accounts.

Tax returns for the years 1956 and 1957 are currently under examination by the Internal Revenue Service. The income tax liability on the Balance Sheet is considered adequate for all years for which agreements have not been reached.

### Cash Dividends and Net Earnings

1952 - 1958



before credit for federal and state income taxes already paid).

In view of the recess of the case the Tax Court's decision will undoubtedly not be received for some time.

The company's petitions for redetermination of the Board's findings in 1953 and 1954 involving \$2,057,793 and \$4,637,956, respectively, after credit for Federal income taxes, have been filed with the Tax Court of the United States. The Tax Court has not established dates for hearing either of these cases.

### Dividends

Quarterly cash dividends of 25 cents per share amounting to a total of \$7,016,727 were paid during the year. In addition, a 4% stock dividend was issued and distributed to stockholders of record on November 19, 1958.

In connection with the 4% stock dividend, \$15,414,151 was transferred from the Retained Earnings account to the Capital Stock account.

Because of the substantial capital requirements facing the company, it is contemplated that the cash dividend of \$1 per share will be continued at least through 1959.

### Working Capital

As anticipated in the 1957 annual report, the company's requirements for working capital increased substantially as a result of the commercial program and changes in Department of De-



fense policies relative to reductions in current reimbursement under cost reimbursement type contracts and progress payments under fixed price contracts.

The company increased its working capital \$96,449,567 during the year to a total of \$190,697,755 at year end. The additional working capital was obtained from the following sources:

Net proceeds of the \$70,597,600 debenture issues . . . . .	\$68,782,929
Retained earnings (net earnings for the year less cash dividends) . . . . .	22,343,286
Excess of depreciation and amortization over facilities expenditures . . . . .	1,955,773
Stock sold to officers and employees under provisions of the incentive compensation plan . . . . .	3,050,553
Other . . . . .	317,026
	<hr/>
	\$96,449,567

During the year the company's open line of bank credit was increased from \$150,000,000 to \$200,000,000, in anticipation of a continued high level of requirements for working capital and substantial capital facilities expenditures. Borrowings under the company's credit line were required throughout the year and notes payable to banks totaled \$98,000,000 at December 31. It is presently anticipated that borrowings against the credit line will be substantial throughout the year 1959.

### Long Term Debt

In July 1958, the company offered to holders of its capital stock the right to subscribe to \$30,597,600 of 4½% convertible subordinated debentures due July 1, 1980. The subscription was in the ratio of \$100 principal amount of de-

bentures for each 23 shares of capital stock held. Each \$100 principal amount of convertible debentures can be converted to two shares of stock (subject to adjustment as provided in the Indenture) at any time prior to maturity. At December 31, 1958, bonds in the principal amount of \$51,100 have been converted to 1,022 shares of stock.

Also in July, the company sold to underwriters \$40,000,000 of 5% sinking fund debentures due August 1, 1978. The debentures were offered to the public at a price of \$98.50 plus accrued interest.

### Government Procurement

Your company management continues to believe that the incentive type contract contains important and effective incentives for improved cost performance. This feature makes the incentive contract the soundest method presently available for the procurement of the types of military products produced by the aircraft industry. Therefore, notwithstanding action taken by the Renegotiation Board to recapture incentive profits of prior years, the company will continue to make use of incentive contracts wherever practicable.

In recent years the Department of Defense has requested or directed the airframe industry to make maximum use of private funds in acquiring necessary new facilities and in supporting an expanded independent research program.

In addition, through reduction in progress payments and cost reimbursements under defense contracts, the industry has been required to increase substantially the extent of its financing of inventories and receivables. These policies in themselves do not conflict with the general philosophy to which management subscribes: that under a free enterprise system the capital requirements of industry should be privately financed to the fullest extent practicable. It is of equal importance in a free enterprise system, however,

that profits be commensurate with the financial requirements, risks and responsibilities assumed by the industry concerned.

That your company has in fact assumed the additional financial burden imposed by current Department of Defense policies—even to the extent of, in effect, financing part of the United States' defense—is evidenced by the substantial increases in fixed and working capital investments in recent years.

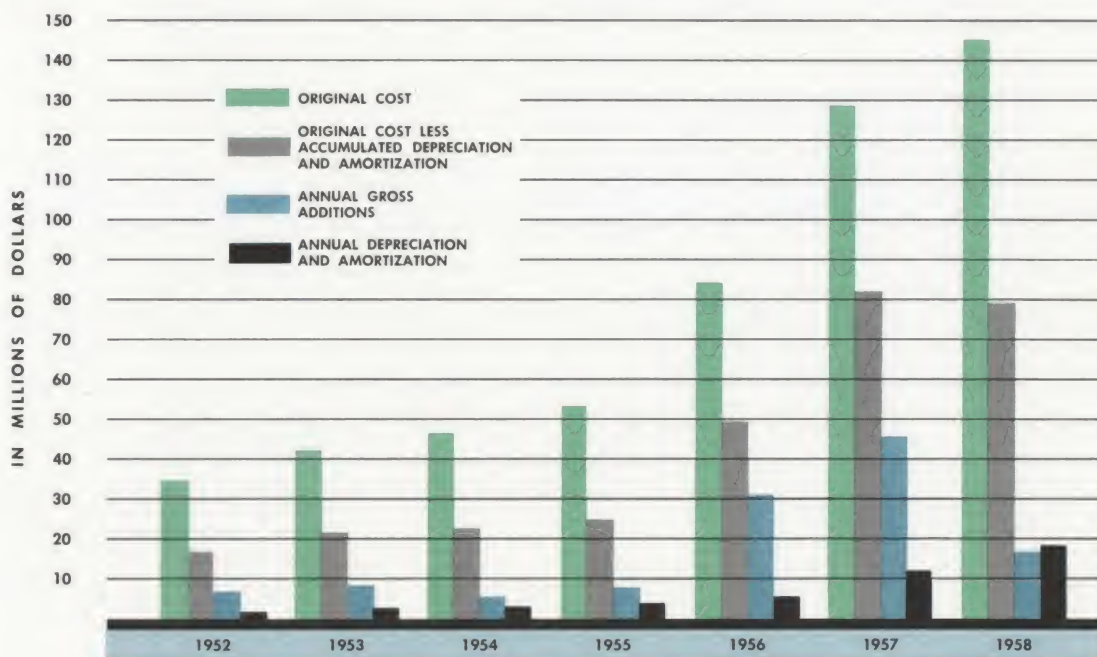
During this period, however, the Department of Defense has maintained the industry's contract profit rates at their previous low levels, adjusting fees on cost reimbursement type contracts only to recognize basic interest costs on additional working capital investment. This has in no way altered the profit rate itself. At the same time, the Renegotiation Board has continued to

confiscate a substantial portion of the industry's already low earnings.

Adequate and effective independent research and the necessary facilities to conduct such research are mandatory if our industry is to fulfill its assigned and changing role in development and production of the instruments of our national defense. The financial and human resources required to accomplish this task must be obtained in competition with non-defense industry which has no such limitations on its earning capacity.

Your management firmly believes that to compete for these essential resources the industry requires an increase in the contract profit rate structure for aircraft and missile procurement. In addition, a change from the currently unjust and arbitrary administration of the Renegotiation Act is imperative.

**Company Investment in Property, Plant and Equipment**  
1952 - 1958





## *looking to the future*

The transitional phase into which the aircraft industry has been projected carries with it some specific indications of trends in prospect. It also calls for an assessment of your company's present position and expectations for the future.

In defense business we are moving into an era in which a somewhat smaller portion of our total effort will be devoted to production of aircraft units and we will be producing more sophisticated articles and weapon systems. These will involve more research, laboratory and system management effort, but will require less manufacturing of hardware per unit of production. One conclusion to be drawn from this situation is that the percentage of technical personnel will continue to increase relative to over-all employment.

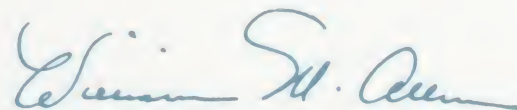
The impact of new demands already is making itself felt. Further office and laboratory space is required for additional scientists and engineers, and new types of manufacturing and research equipment and facilities are necessary for the different technologies. Subject always to change in the international situation, the over-all national procurement for defense will apparently continue at present or higher levels. While there are companies in other industries competing for portions of defense production formerly handled by the aircraft industry, it is the objective of your company to maintain a strong position in developing and furnishing the products and services required for the nation's defense. Through intensive research and development coupled with sound design, efficient production and capable weapon system management the company is demonstrating its competitive capabilities in this period of changing requirements.

In commercial business, substantial progress has been made in strengthening the company's position. The 707 is proving itself to be an outstanding airplane and one that will be profitable to the airlines. It has been enthusiastically received both by the airlines and the traveling public. Our customers report load factors consistently higher than 90 per cent and utilization in hours per day exceeding all previous records for new commercial airplanes. It is historically true that as the comfort, speed and safety of public transportation have increased, so also has the demand for that transportation by the public. In the case of the 707 jet airliner, significant forward steps have been made in all three criteria of growth.

This progress has not been accomplished without difficulty and disappointment. As noted earlier, initial costs have run much higher than anticipated and substantial losses currently are being experienced on the commercial program.

We look forward, however, to a continuing demand by airlines and air travelers alike for Boeing jet transports. In the view of your company's management, we have established a program which will lead to a long and successful future in the field of commercial transport.

For the Board of Directors



March 9, 1959

## *five year condensed comparative financial data*

Financial Position	As of December 31,	1958
Current assets .....		\$ 523,881,420
Current liabilities .....		333,183,665
Working capital .....		\$ 190,697,755
Property, plant and equipment, net.....		79,688,417
Unamortized debenture discount and expense.....		1,755,359
Total .....		\$ 272,141,531
Less: Long term debt.....		70,546,500
Net assets .....		\$ 201,595,031
Represented by stockholders' investment in:		
Capital stock .....		\$ 113,348,983
Retained earnings .....		88,246,048
		\$ 201,595,031
Stockholders' equity per share.....		\$ 27.54
Ratio of current assets to current liabilities.....		1.57 to 1

### Sales, Earnings and Dividends

Sales .....	\$1,711,929,576
Earnings before taxes on income.....	61,560,013
Taxes on income.....	32,200,000
Net earnings .....	29,360,013
Cash dividends paid.....	7,016,727
Net earnings per share.....	4.01
Cash dividends paid per share.....	0.96
Income taxes per share.....	4.40
% earnings before taxes on income to sales.....	3.60%
% taxes on income to sales.....	1.88%
% net earnings to sales.....	1.72%

### General Information

Backlog .....	\$2,445,000,000
Number of authorized shares of common stock.....	10,000,000
Number of shares outstanding.....	7,320,006
Average number of employees.....	92,878
Total wages and salaries.....	\$ 548,720,343
Gross additions to plant and equipment.....	16,782,060
Depreciation and amortization.....	18,737,833
Amortization in excess of normal depreciation.....	4,778,072
Square feet of floor area:	
Government owned .....	11,660,042
Boeing owned .....	5,712,011
Leased .....	1,659,727

NOTE: Financial data restated to give effect to the actual renegotiation refunds for the years 1952, 1953 and 1954 and the estimated refund for the year 1955.  
All per share figures adjusted to reflect stock dividends and stock splits.



1957	1956	1955	1954
\$ 409,125,951	\$ 282,627,505	\$ 231,378,352	\$ 230,475,654
314,877,763	188,190,635	137,055,881	151,644,643
\$ 94,248,188	\$ 94,436,870	\$ 94,322,471	\$ 78,831,011
81,902,760	49,304,576	24,707,138	22,167,795
<u>\$ 176,150,948</u>	<u>\$ 143,741,446</u>	<u>\$ 119,029,609</u>	<u>\$ 100,998,806</u>
<u>\$ 176,150,948</u>	<u>\$ 143,741,446</u>	<u>\$ 119,029,609</u>	<u>\$ 100,998,806</u>
\$ 94,834,035	\$ 84,943,535	\$ 60,968,732	\$ 60,000,000
81,316,913	58,797,911	58,060,877	40,998,806
\$ 176,150,948	\$ 143,741,446	\$ 119,029,609	\$ 100,998,806
\$ 24.36	\$ 19.93	\$ 16.56	\$ 14.10
1.30 to 1	1.50 to 1	1.69 to 1	1.52 to 1

\$1,596,508,515	\$1,006,356,748	\$ 848,077,722	\$1,023,513,857
77,659,707	67,134,989	56,891,411	67,063,615
39,500,000	35,000,000	29,250,000	34,725,548
38,159,707	32,134,989	27,641,411	32,338,067
6,681,281	8,162,577	10,579,340	9,729,122
5.28	4.46	3.84	4.51
0.92	1.13	1.47	1.36
5.46	4.85	4.07	4.85
4.86%	6.67%	6.71%	6.55%
2.47%	3.48%	3.45%	3.39%
2.39%	3.19%	3.26%	3.16%

\$2,452,000,000	\$3,024,000,000	\$2,624,000,000	\$2,131,000,000
10,000,000	10,000,000	5,000,000	5,000,000
6,953,583	6,666,689½	3,258,125¾	3,246,436¾
94,998	71,106	65,366	65,054
\$ 511,749,258	\$ 373,918,888	\$ 319,791,241	\$ 300,244,415
45,043,425	30,847,605	7,521,100	5,061,959
12,422,205	6,237,686	4,925,358	4,030,572
3,449,737	2,129,116	1,940,577	1,728,987
11,228,294	9,381,243	8,593,841	7,879,008
5,571,913	3,796,105	3,769,664	3,370,705
1,843,422	1,854,955	1,516,666	1,630,908

# balance sheet

**BOEING AIRPLANE COMPANY**

**DECEMBER 31, 1958**

## ASSETS

### CURRENT ASSETS:

Cash .....		\$ 46,524,127
Accounts and estimated balances receivable from the United States —		
Cost reimbursement type contracts .....	\$183,646,859	
Fixed price type contracts .....	<u>40,513,513</u>	224,160,372
Notes and accounts receivable — Others .....		5,224,969
Accumulated charges on fixed price type contracts less estimated cost (average total contract basis) of deliveries and the amount necessary to reduce the 707 program to estimated proportionate sales value .....	\$572,047,684	
Less advances and progress payments received and accrued	<u>346,625,992</u>	225,421,692
Inventories of parts and materials at the lower of average cost or market .....		19,819,295
Prepaid expenses .....		<u>2,730,965</u>
TOTAL CURRENT ASSETS .....		\$523,881,420

### PROPERTY, PLANT, AND EQUIPMENT, at cost:

Land (\$3,687,331) and buildings .....	\$ 90,044,195	
Machinery and equipment .....	<u>54,960,461</u>	
	\$145,004,656	
Less allowance for accumulated depreciation and amortization ..	<u>65,316,239</u>	79,688,417
UNAMORTIZED DEBENTURE DISCOUNT AND EXPENSE		<u>1,755,359</u>
		<u>\$605,325,196</u>



## LIABILITIES AND STOCKHOLDERS' INVESTMENT

### CURRENT LIABILITIES:

Notes payable to banks.....	\$ 98,000,000
Accounts payable .....	149,884,854
Salaries and wages.....	43,053,705
Payroll, property, and excise taxes.....	7,018,114
Incentive compensation for officers and employees.....	2,975,610
Payable to Trustee under retirement plan.....	674,272
Allowance for 1954 and 1955 renegotiation, net of taxes.....	7,387,956
Federal taxes on income.....	24,189,154
<b>TOTAL CURRENT LIABILITIES.....</b>	<b><u>\$333,183,665</u></b>

### LONG-TERM DEBT:

5% Sinking Fund Debentures, due August 1, 1978 (annual sinking fund requirements beginning August 1, 1964 — \$2,700,000) .....	\$ 40,000,000
4½% Convertible Subordinated Debentures, due July 1, 1980 (annual sinking fund requirements beginning January 1, 1968 — \$1,750,000 less credit for previously converted debentures) convertible into capital stock at 2 shares for each \$100 principal amount .....	<u>30,546,500</u> 70,546,500

### STOCKHOLDERS' INVESTMENT:

Capital stock, par value \$5 a share —	
Authorized — 10,000,000 shares (610,930 shares reserved for conversion of 4½% Convertible Subordinated Debentures)	
Issued and outstanding — 7,320,006 shares at stated value..	\$113,348,983
Retained earnings (after transfer to the capital stock account of \$94,054,619) .....	<u>88,246,048</u> <u>201,595,031</u>
	<u><u>\$605,325,196</u></u>

See notes to financial statements.

# statement of net earnings

## BOEING AIRPLANE COMPANY

Year Ended December 31, 1958

Sales .....		\$1,711,929,576
Other income .....		306,017
		<u>\$1,712,235,593</u>
Cost of sales (excluding applicable portion of certain items set forth below in the amounts incurred during the year) .....	\$1,571,122,930	
Research and developmental expenses .....	31,755,947	
Depreciation and amortization .....	18,737,833	
General and administrative expenses .....	17,611,879	
Interest and debt expense .....	5,021,232	
Incentive compensation for officers and employees .....	2,975,000	
Other expenses .....	3,450,759	
Federal taxes on income .....	32,200,000	1,682,875,580
NET EARNINGS FOR THE YEAR .....		<u>\$ 29,360,013</u>
Provision for 1955 renegotiation refund, net of taxes on income (gross amount \$6,000,000) .....		2,750,000
BALANCE TRANSFERRED TO RETAINED EARNINGS		<u>\$ 26,610,013</u>

See notes to financial statements.

## notes to financial statements

### COMMERCIAL PROGRAM CHARGE-OFFS:

Charges against earnings in 1958 applicable to the commercial program totaled approximately \$50,000,000. Such charges consist of (1) \$34,000,000 of research, developmental, administrative and other general expenses and, (2) \$16,000,000 which represents the amount necessary to reduce accumulated charges (work in progress) on the 707 program to estimated proportionate sales value based on the quantity of airplanes scheduled for production.

**RENEGOTIATION:** Unilateral determinations of excessive profits have been made by The Renegotiation Board for the years 1952, 1953, and 1954 and a refund has been recommended by the Los Angeles Regional Renegotiation Board for

the year 1955. The required or recommended refunds have been paid or provided for in the accounts. Appeals for the years 1952, 1953, and 1954 have been taken to the Tax Court of the United States. If The Renegotiation Board agrees with the findings of the Regional Board for the year 1955, it is expected that the Board's decision will likewise be appealed.

The company does not know and cannot predict what the Board's actions will be for the years 1956, 1957, and 1958. In view of the uncertainty and the belief of the company that no excessive profits were realized, no provision has been made for renegotiation refunds for any of these years.

**RESTRICTION ON USE OF RETAINED EARNINGS:** The Indentures under which the 5%



# statement of stockholders' investment

## BOEING AIRPLANE COMPANY

Year Ended December 31, 1958

	Shares	Capital stock Amount	Retained Earnings
Balance at January 1, 1958 (after transfer to the capital stock account of \$78,640,468) . . . . .	6,953,583	\$ 94,834,035	\$84,066,913
Net earnings for the year (\$29,360,013), less provision for 1955 renegotiation refund (\$2,750,000) . . . . .			26,610,013
Shares sold to officers and employees at market value under the Incentive Compensation Plan . . . . .	83,864	3,050,553	
Stock dividend (4%) — Amount transferred by the Board of Directors equal to the approximate market value on declaration date . . . . .	281,537	15,414,151	(15,414,151)
Cash dividends paid, \$1.00 a share . . . . .			(7,016,727)
Shares issued in exchange for Convertible Subordinated Debentures (less applicable portion of debenture issuance expense) . . . . .	1,022	50,244	
Balance at December 31, 1958 . . . . .	<u>7,320,006</u>	<u>\$113,348,983</u>	<u>\$88,246,048</u>

See notes to financial statements.

Sinking Fund Debentures and the 4½% Convertible Subordinated Debentures were issued place various restrictions on the use of retained earnings for the payment of cash dividends or acquisition of the company's capital stock or subordinated indebtedness. At December 31, 1958 retained earnings of \$55,602,209 were restricted under the provisions of the Indentures.

**STOCK OPTIONS:** On May 6, 1958 the stockholders approved a restricted stock option plan under which options may be granted to officers and key employees to purchase up to 200,000 shares (adjusted under the terms of the plan to 208,000 shares at December 31, 1958) of the company's unissued or reacquired capital stock at the closing market price on date of grant.

Options are exercisable within ten years, but not before two years, from date granted. On December 15, 1958 options were granted for 34,900 shares at \$48.875 per share. The terms of the options granted provide that 20 per cent thereof may be exercised after two years, 40 per cent after four years, 70 per cent after six years, and 100 per cent after eight years.

**RETIREMENT PLAN:** Under the company's non-contributory retirement plan, a charge of \$12,674,272 has been made in the accounts for the year 1958, of which \$11,038,785 represents current service and \$1,635,487 is applicable to past service. At December 31, 1958 the past service liability not recognized in the accounts was estimated at \$11,500,000.

# *accountants' report*

## TOUCHE, NIVEN, BAILEY & SMART

CERTIFIED PUBLIC ACCOUNTANTS

1411 FOURTH AVENUE  
SEATTLE 1, WASHINGTON

March 9, 1959

Board of Directors  
Boeing Airplane Company  
Seattle, Washington

We have examined the balance sheet of Boeing Airplane Company as of December 31, 1958 and the related statements of net earnings and stockholders' investment for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were unable to obtain satisfactory confirmations of receivables from the United States by direct communication, but we satisfied ourselves as to such accounts by other auditing procedures.

In our opinion, subject to the effect of renegotiation refunds, if any, that may be required for years subsequent to 1955, the accompanying balance sheet and statements of net earnings and stockholders' investment present fairly the financial position of Boeing Airplane Company at December 31, 1958 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Also, in our opinion, the action of the Board of Directors on March 9, 1959, in setting aside the sum of \$2,975,000 for the year 1958 under the Incentive Compensation Plan for Officers and Employees, is in conformity with the provisions contained in the first paragraph of Section 2 of such plan.

*Touche, Niven, Bailey & Smart*

Certified Public Accountants

### *general counsel*

HOLMAN, MICKELWAIT, MARION, BLACK & PERKINS

### *general auditors*

TOUCHE, NIVEN, BAILEY & SMART

### *transfer agent*

FIRST NATIONAL CITY TRUST COMPANY, NEW YORK CITY

### *registrar*

THE FIRST NATIONAL CITY BANK OF NEW YORK, NEW YORK CITY

**BOEING AIRPLANE COMPANY**

GENERAL OFFICES

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7755 EAST MARGINAL WAY

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